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RUEHZL/EUROPEAN POLITICAL COLLECTIVE

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SIPDIS

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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [IC](#)

SUBJECT: ICELANDIC ECONOMIC CRISIS: BANKERS ARGUE GOI NEEDS TO
SWALLOW PRIDE, IMF IS ONLY WAY OUT

REF: Reykjavik 227

Classified By: DCM Neil Klopfenstein for reasons 1.4 (b) and (d).

1.(C) Two Icelandic bankers met with Econoff today to emphasize that the Icelandic authorities have chosen the wrong path out of this crisis and appealed for Washington to provide guidance to the GOI. The bankers shared a graph that showed of the 11 billion euro Landsbanki debt, 31 percent belonged to the U.S. and Canada. They emphasized that Landsbanki had the smallest foreign debt of the three banks in Iceland and that American investors will lose billions. They outlined a plan emphasizing the importance of bringing the creditors to the table, getting the IMF involved and finding a resolution through a multilateral approach. They stressed the need for the U.S. to become involved both to encourage the Icelandic authorities to "be rational and swallow their pride" and for the U.S. to build consensus within the IMF to allow Iceland access to the supplemental reserve facility such as Korea, Turkey and Russia have used in the past. They believe that the IMF stamp of approval will help bring creditors to the table and what is needed the most is a coordinated multilateral approach.

2.(C) Today's media showed an increasing chorus of calls for Iceland to come to terms with the IMF as the only way out of disaster. Embassy contacts in the business community this afternoon echoed this sentiment. We are told that Central Bank director David Oddson is fighting any move to come to terms with the IMF, but our sampling suggests that more people are coming to the reluctant conclusion that Iceland will have to bite this bullet. The Prime Minister was repeatedly asked about a deal with the IMF at today's press conference. He brushed off suggestions that a deal had been made but stressed that the GOI is talking to the IMF in Reykjavik and in Washington.

VAN VOORST